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Honorable Robert S. Lasnik

AT SEATTLE
CLERK U.S. DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
DEPUTY



10-CV-02099-AF

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

PREMERA BLUE CROSS, a Washington
non-profit corporation; PREMERA, a
Washington non-profit corporation,

Plaintiffs,

v.

JUDY MELTON, individually and in her
marital community; ANNE BROWN (NEE
MELTON), individually and in her marital
community; KELLY MELTON, a single
person; MATTHEW MELTON, a single
person; CAROLYN PORTER, Personal
Representative of the Estate of Stephen
Melton,

Defendants.

No. 10-CV-02099

ORDER GRANTING
INTERPLEADER AND ORDERING
PAYMENT OF PROCEEDS TO
ADULT CHILDREN

~~PROPOSED~~

This matter comes before the court on the parties' Agreed Motion for Interpleader and Summary Judgment. The parties seek discharge of Premera Blue Cross and PREMERA (collectively, "Premera") and an order directing Premera to pay the interpleaded funds to Anne Brown, Kelly Melton, and Matthew Melton (collectively, the "Adult Children") in the proportions specified on the beneficiary designation forms completed by Stephen D. Melton before his death.

~~PROPOSED~~ ORDER GRANTING
INTERPLEADER AND ORDERING
PAYMENT OF PROCEEDS TO
MELTON CHILDREN - 1

Case No. 10-CV-02099

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1 This court has reviewed the Agreed Motion and attachments thereto, including the
2 beneficiary designation forms and the Qualified Disclaimer of Judy Melton. Based on the
3 pleadings and evidence presented, the court concludes:

4 1. This Court has subject matter jurisdiction over this action because it arises
5 under federal law, specifically the Employee Retirement Income Security Act of 1974
6 ("ERISA"), 29 U.S.C. § 1001 *et seq.*

7 2. The deceased, Stephen D. Melton, was a participant in the two ERISA
8 employee pension benefit plans at issue in this case while employed by Premera Blue Cross.
9 The first is the Premera Blue Cross Supplemental Defined Contribution Retirement Program
10 ("DC SERP") established and maintained by Premera Blue Cross, and the second is the
11 PREMERA 401(k) Savings Plan ("401(k) Plan") established and maintained by PREMERA.

12 3. Stephen D. Melton's most recent beneficiary designation form for the DC
13 SERP on file with Premera is dated December 27, 2005. That form designates Judy Melton
14 as the primary beneficiary of the DC SERP, to receive 100% of the plan proceeds, and names
15 "Anne E. Brown, Kelly C. Melton, Matthew W. Melton 1/3 Each" as contingent beneficiaries
16 in the event the primary beneficiary did not survive him or died prior to receiving all
17 payments to be made under the DC SERP.

18 4. Stephen D. Melton's most recent beneficiary designation form for the 401(k)
19 Plan on file with Premera is dated October 29, 2001. That form designates Judy Melton as the
20 primary beneficiary on the 401(k) Plan and directs that she should receive 100% of the
21 benefits payable under the 401(k) Plan. That form also designates Anne Melton, Kelly
22 Melton, and Matthew Melton as secondary beneficiaries and directs that they should receive
23 33.34%, 33.33%, and 33.33%, respectively, of the benefits payable under the 401(k) Plan, in
24 the event that the benefits do not pass to Judy Melton.

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26 [PROPOSED] ORDER GRANTING
INTERPLEADER AND ORDERING
PAYMENT OF PROCEEDS TO
MELTON CHILDREN - 2

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1 5. Carolyn Porter, the Personal Representative for the Estate of Stephen D.
2 Melton, sent Premera a Letter of Instruction dated October 18, 2010, asking Premera to
3 remove Judy Melton as the beneficiary of the Plans.

4 6. As a result of Ms. Porter's letter, Premera was presented with conflicting
5 claims for which it may be exposed to multiple liability. Accordingly, interpleader is proper.

6 7. In most cases, an administrator of an ERISA plan is obligated to pay the
7 proceeds of the plan to the designated primary beneficiary. But an exception to this general
8 rule exists if a beneficiary disclaims his or her interest in the proceeds.

9 8. On February 21, 2011, Judy Melton executed a Qualified Disclaimer in which
10 she disclaimed her interest in the Proceeds and caused it to be delivered as required under
11 Section 2518 of the Internal Revenue Code and RCW 11.86.031.

12 9. The Qualified Disclaimer is effective to disclaim Judy Melton's interest in the
13 Proceeds. As a result, she is no longer a proper payee of the Proceeds and is treated as if she
14 had predeceased Stephen D. Melton.

15 10. Because Judy Melton is not a proper payee of the Proceeds and is treated as if
16 she had predeceased Stephen D. Melton, the beneficiary designation forms require that the
17 Proceeds be distributed to the Adult Children.

18 11. Under the Plan documents and the facts of this case, the Estate of Stephen D.
19 Melton is not entitled to receive any of the Proceeds.

20 Accordingly, it is hereby ORDERED that:

21 1. The motion for interpleader is GRANTED.

22 2. Premera Blue Cross and PREMERA are hereby discharged of all liability and
23 dismissed from this case subject only to their obligation to distribute the Proceeds in the
24 manner directed below.

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26 [PROPOSED] ORDER GRANTING
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PAYMENT OF PROCEEDS TO
MELTON CHILDREN - 3

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3. The motion for summary judgment is GRANTED.

4. Premera shall pay the Proceeds to the Adult Children in the proportions prescribed by the beneficiary designation forms. No Proceeds shall be paid to Judy Melton or the Estate of Stephen D. Melton. Specifically, the Proceeds should be paid as follows:

Beneficiary	401(k) Plan	DC SERP
Anne Brown	33.34%	1/3
Kelly Melton	33.33%	1/3
Matt Melton	33.33%	1/3

Dated this 28th day of February, 2011.

M. S. Casnik
UNITED STATES DISTRICT JUDGE

Presented by:

K&L GATES LLP

By

David J. Lenci
David J. Lenci, WSBA #7688
Heidi L. Craig, WSBA #41399
Attorneys for Plaintiffs
Premera Blue Cross and PREMIERA

Approved as to Form;
Approved for Entry:

Judy H. Melton
JUDY MELTON

Anne E. Brown
ANNE BROWN

**[PROPOSED] ORDER GRANTING
INTERPLEADER AND ORDERING
PAYMENT OF PROCEEDS TO
MELTON CHILDREN - 4**

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2
3 KELLY MELTON
4

5 MATTHEW MELTON
6

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8 CAROLYN PORTER, PERSONAL
9 REPRESENTATIVE OF THE ESTATE OF
10 STEPHEN MELTON
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26 [PROPOSED] ORDER GRANTING
INTERPLEADER AND ORDERING
PAYMENT OF PROCEEDS TO
MELTON CHILDREN - 5

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